

20 February 2009

Tom Leuner
General Manager
Markets
AER
GPO Box 922
Adelaide SA 5001

Dear Tom,

Investigation into the Reduced Import Capability of the Heywood Interconnector

I refer to the investigation the AER has recently completed into the derating of the Heywood interconnector. Whilst ElectraNet was found to have complied with its obligations under the National Electricity Rules (NER), we acknowledge the opportunity this investigation has presented to review and improve processes for the provision of information on network constraints in the interests of greater market transparency.

ElectraNet notes that it intends to clarify in its 2009 Annual Planning Review (APR) some apparent misconceptions that may have arisen in relation to the reduced capability of the Heywood Interconnector.

The AER wrote to ElectraNet on 21 January 2009 seeking a commitment from ElectraNet to improve its planning and reporting processes by:

- “Better integrating changes to the network capability into its ongoing analysis of, and reporting on, the expected future operation of its network; and
- Disseminating reliable, prompt and full information relating to major network factors as soon as its analysis and studies reveal issues likely to have significant NEM impacts, whether or not of a material significance.”

In response, ElectraNet is prepared to commit to improving longer term planning information in its Annual Planning Review (APR) commencing in 2009. More specifically, ElectraNet commits to expand the information in its APR on network developments (including generation or load connections and planned network augmentations) that, either individually or cumulatively, may have a significant impact on network capability (particularly interconnector flows) and therefore the NEM.

ElectraNet will also review its processes during 2009 to ensure that reliable, prompt and full information relating to major network factors (such as those contributing to interconnector capability) are communicated to the market as soon as ElectraNet becomes aware of issues likely to have a significant network impact, within the limits of the NER.

This commitment is made in the context of the following:

1. ElectraNet is not responsible for long-term generation planning;
2. Confidentiality provisions in the NER, will continue to prevent ElectraNet from publicly revealing any long-term generation plans proponents may have and therefore such plans cannot be revealed until generation is deemed committed;
3. ElectraNet can provide dialogue in generic terms, of what the impacts would be if generation connected at a given location;
4. The minimum access standard in the NER (S5.2.5.12) does allow generation to connect to the ElectraNet network and displace interconnection flows;
5. Compared to network augmentations, there is no equivalent NER (IRPC) process to publicly assess the impact the connection of a new generator will have on interconnection flows (i.e. power station developments do not "*trigger technical reports*" in the same way network augmentations may);
6. ElectraNet intends to clarify in its 2009 APR that the 360MW limit on the Heywood interconnection is unlike the 460MW limit (which still exists) in that it is not a "hard" limit driven directly by asset ratings, but rather a dynamic one that may occur if certain generation is dispatched in the NEM.

I trust that this response satisfies your request of ElectraNet.

Please don't hesitate to contact Simon Appleby on 08 8404 7324 if you would like to discuss any aspect of this response.

Yours sincerely,



RAINER KORTE
EXECUTIVE MANAGER REGULATION AND CORPORATE SERVICES